

**To the Honorable Senate and House of representatives, in Congress assembled**

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The Rectifiers and Wholesale Liquor Dealers of the United States, beg leave to bring to your attention some points vitally important to our large interests, and we think of great moment to Government, as a question of Revenue.

We herewith reprint for your information, a recent decision of the Commissioner of Internal Revenue, and will respectfully, and as briefly as possible, show wherein the interests of Government and of ourselves are injuriously affected thereby.

(COPY A.)

Office of Internal Revenue, Washington, Nov. 8th, 1870.

C. W. EMORY, Esq., Supervisor, Nashville, Tenn.

Sir: —Under the construction heretofore given to the excepting clause of paragraph S, Section 1, Act of April 10th, 1869, distillers were limited in purifying or refining their spirits in the course of original distillation, to the single process of vaporizing and condensing.

Under the construction now given to said clause, distillers will hereafter be allowed to use in said process, and as incidental thereto, certain mechanical agents hereinafter enumerated, the effect of which will be the purification and refining of such spirits, and that alone.

Purifying and refining spirits, is understood to be the freeing of the spirits from extraneous matter, and does not, therefore, admit of the mixing of any material with spirit that remains incorporated therewith after the manufacture is complete.

The only process of purifying or refining now known to this office as in use, that will be admissible under this ruling, are redistillation, leaching or vaporizing through charcoal, wood shavings, flannel or similar purifiers.

J. W. DOUGLASS, Acting Commissioner.

The practical effect of the decision referred to, is to allow the grain distiller to produce by continued distillation, or by rectification through charcoal, wood shavings, &c., the same result as produced by ourselves, and to offer the said refined spirits upon the market, in direct competition with ourselves,

or in brief, to accord to the distiller the privileges of what the law calls a "*Rectifier*," and *taxes* as such.

The Distiller pays his tax upon the product of the grain.

We are compelled to buy of him, and to expensively refine the raw material, subject to loss by evaporation, and burdened with our special taxes of 1 per cent. on sales, and Rectifiers tax of 50 cents per barrel.

Under this ruling, the Grain Distiller may be allowed to produce the same result in point of *character* of refined spirits as ourselves, and offer the same to our tributary trade, and he does so, with the advantage of more than 5 cents per proof gallon, less cost.

This is accounted for by the following items that do not enter into the costs of the Spirits as it comes from the Grain Distillery, viz:

Rectifier's Stamp, 25

1 per cent. on Sales, say 45

Rectifier's Tax, per barrel, 50

Inspector, 10

Loss by Evaporation in our Process of Refinement, of *tax paid* Spirits, estimating the Distillers' Taxes (original and special), at 65 cents per proof gallon, our loss in refinement is 3 per cent., which loss is not incurred by the Distiller who only pays tax upon the product, 78

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This amount, \$2.08 per barrel of 40 proof gallons of Refined Spirits, is a tax upon our goods from which the Distiller, (who, under the ruling, is *practically a Rectifier* ,) is exempt.

We do not believe that *unequal taxation* was the intent of the framers of the original Tax Bill, under which this ruling has been made.

In that Bill there were recognized the "Distillers," who paid a certain amount of original and special taxes upon the product of his mash, and the "Rectifier" who, for the privilege of change of package,

refinement and sale, had certain other special taxes to pay. The two interests were separate and distinct, and no Rectifying House was allowed within six hundred feet of a Distillery.

We submit, that under this decision, our business will be fatally injured, by destroying all chance for a *fair* competition with the Distiller.

The separate signers of this paper, have a business as Rectifiers, varying in sales, per annum, from \$3,000,000 to \$250,000. We pay special taxes varying from \$65,000 to \$10,000 per annum. We have invested in our business from \$1,000,000 to \$75,000, and in expensive copper Stills, or other machinery for rectification, from \$60,000 to \$10,000.

The bulk of the stock held by us, has already realized to the Government the tax thereon, which we have paid in advance of sale. This is the *rule* with our interest, while in the case of the Distiller the rule is to hold stock in bond, on which Government does not realize until sale is made.

Under the old construction of the law, the Distiller was compelled to use ourselves as distributing agents for his raw material after *we* had refined the same. The transactions were in large lots, fifty to two hundred barrels, which were more easy to trace in search of fraud, than in the case of the Distiller, being allowed the privileges of rectifying and sale, direct to the smaller trade and in small lots.

We, representing capital and stability, were, in a measure, *checks* upon the Distiller, guarantors of the tax.

We respectfully ask such legislation upon the original law as shall allow the Commissioner to reverse the decision referred to, or that *we* be relieved of the special taxes of 1 per cent. on sales, and 50 cents per barrel.

The decision, if adhered to, will, in a very short time, render our expensive machinery valueless, and utterly destroy our trade, unsettling the vast capital invested already, and forcing us, one and all, into distilling from the grain, or withdrawing from the business. Should we be forced into distilling, it would result in the number of distillers being vastly increased—most of them small to meet our wants only—and make the collection of tax a question of greater doubt than ever before.

An interest of such magnitude, and of such a source of revenue, we believe, should be fostered and encouraged by Government, and we rest our case with you, satisfied that at your hands will we find relief.



THE RECTIFIERS AND COMPOUNDERS OF THE WEST.